

ARLINGTON SPORTS FACILITIES DEVELOPMENT AUTHORITY, INC.

THE BALLPARK IN ARLINGTON



ORGANIZATION AND PURPOSE

The Arlington Sports Facilities Development Authority, Inc. (the "Authority"), a component unit of the City of Arlington, Texas, was incorporated April 11, 1991, under the provisions of the Development Corporation Act of 1979, as amended, Article 5190.6, Texas Revised Civil Statutes Annotated, as amended (the "Act") by Resolution No. 91-203 of the City Council of the City of Arlington, Texas (the "Council"). The Authority operates under a seven member Board of Directors appointed by the Council. The Board of Directors of the Authority consists of three council members and four citizen members. The purpose of the Authority is to promote economic development within the City of Arlington (the "City") in order to reduce unemployment and underemployment, and to promote and encourage employment and the public welfare of, for, and on behalf of the City by developing, implementing, providing and financing projects authorized under the Act. All actions taken by the Authority must be approved by the Council.

The Authority adopts a legal Project budget annually. Budgetary control is exercised at the program level, within various funding sources. No funds are budgeted unless actual moneys are on hand or secured by credit agreements. The Authority's Executive Director is authorized to transfer budgeted amounts within program categories; however, any revisions that alter total budgeted expenditures of the program must be approved by the Authority and Council.



MASTER AGREEMENT REGARDING BALLPARK COMPLEX DEVELOPMENT

On December 4, 1990, the City and The Texas Rangers, Ltd. (the "Rangers") entered into a MASTER AGREEMENT REGARDING BALLPARK COMPLEX DEVELOPMENT (the "Agreement"). On April 30, 1991, the Authority assumed the City's responsibility under the Agreement. The Agreement provides for the development of a ballpark complex (the "Facility"), including a major league baseball park, a youth baseball park, a children's learning center, an amphitheater, a hall of fame facility and a linear park (the "Project"). Funding for the Project, as anticipated by the Agreement, was to be \$135,000,000 in bonds issued by the Authority (the maximum allowed by the Act), interest earnings on the bond proceeds and up to \$30,000,000 in incremental funding (the "Incremental Funding") by the Rangers from the lease or sale of luxury suites and/or seat options (see FINANCING - *INCREMENTAL FUNDING* for actual Rangers contributions). In addition, the City agreed to provide up to \$2,500,000 from street bond funds for infrastructure improvements in the Project area. Any additional costs above these agreed upon amounts were the responsibility of the Rangers.

The Rangers agreed to pay a base rent of \$2,000,000 per year for the 30 year term of the lease. An additional rent of \$1,500,000 per year shall be paid as long as the sales tax bonds issued to pay the costs of the Project are outstanding. The base rent and the additional rent commenced once the new ballpark was occupied. The Rangers also agreed to pledge a one dollar ticket surcharge, up to \$2,000,000 annually, to the repayment of debt, if required. The lease agreement, which was executed on June 23, 1992, is a triple net lease to the Rangers, with the Rangers retaining all concession and signage rights. Upon retirement or defeasance of the debt, the Rangers have the option to purchase the Facility, excluding the linear park, at a cost of \$60,000,000, with full credit given for all base and additional rents paid, as well as up to \$1,500,000 annual credit for maintenance costs paid on the Facility by the Rangers. If the purchase option is exercised, the Rangers are committed to play baseball in the City for ten additional years.

Repayment of the \$135,000,000 in bonds shall be from the one-half cent sales and use tax, the \$2,000,000 base rent, the \$1,500,000 additional rent and the one dollar ticket surcharge, up to \$2,000,000 annually, if needed. The Incremental Funding shall be repaid, subject to any prior liens, from the one dollar ticket surcharge, up to \$2,000,000 annually.

The Agreement states that certain lands will be exchanged between the City and the Rangers. In fiscal 1992 the Authority transferred ownership of certain properties associated with the land exchanges as outlined in the Agreement for \$17,000,000.

SALES AND USE TAX

The Act provides that the City may levy a one-half cent sales and use tax for the benefit of the Authority if the tax was authorized by a majority of the qualified voters voting in an election held prior or subsequent to the enactment of the Act. On January 19, 1991, a majority of the voters (21,924 for; 11,936 against) voting on that date approved a proposition for "THE LEVY AND COLLECTION OF AN ADDITIONAL ONE-HALF CENT SALES AND USE TAX TO PAY BONDS ISSUED TO PROVIDE A MAJOR LEAGUE BASEBALL PARK AND RELATED FACILITIES, WITH SUCH TAX TO CEASE WHEN SUCH BONDS ARE PAID IN FULL."

The City petitioned, and the Comptroller of Public Accounts of the State of Texas approved, that the one-half cent sales and use tax increase become effective July 1, 1991. The taxable base for the additional one-half cent sales and use tax is identical to the existing City one cent sales and use tax.

The one-half cent sales and use tax may be used to (i) pay the costs of the project; or (ii) pay the principal of, interest on, and other costs relating to any bonds or obligations issued to pay the costs of the Project or to refund bonds or obligations issued to pay the cost of the Project. Collections of the one-half cent sales and use tax by fiscal year, since inception, are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
1991	\$ 3,100,970
1992	12,915,150
1993	14,405,059
1994	15,942,508
1995	16,173,027
1996	17,329,933
1997	18,487,687
1998	18,786,411
1999	19,565,163

FINANCING

Actual funding for the Project, as of September 30, 1999, is \$202,677,889. The sources, and explanations of these sources, are as follows:

Public Funding	
ASFDA Sales Tax Bond Proceeds	\$135,000,000
City Street Bond Funds	2,500,000
Interest earnings	3,996,000
Incremental Funding (Ranger resources)	
Seat Option Bonds	17,109,350
Bank loan	12,000,000
First year luxury suite revenues	6,003,565
Concessionaire contributions	12,680,779
Brick Paver program	1,032,745
Interest earnings	1,130,000
Debt Service Transfer	11,225,450
	<u>\$202,677,889</u>

SALES TAX FINANCING

Phase I - Line of Credit

On July 5, 1991, the Authority entered into a \$50,000,000 bank line of credit (the "Line") to provide interim financing needs for land acquisition and other Project related expenditures. The terms of the Line provided for an interest rate based upon the lower of (i) the London Interbank Offering Rate (LIBOR) plus 35 basis points, or (ii) the greater of the bank's Prime rate less ½ of 1%, or the Federal Funds rate plus ½ of 1%. The maturity dates for LIBOR based draws were set at 30, 60 or 90 day terms, at the option of the Authority, or for the alternate base rate, at any date prior to July 1, 1992, also at the option of the Authority. A commitment fee of 3/16 of 1% per annum was payable quarterly on the difference between the committed amount and the average daily balance outstanding of all amounts advanced. A facility fee of \$25,000 was due if the outstanding balance on the Line was not paid in full by December 31, 1991, which it was not. If the outstanding balance on the Line was not paid in full by July 1, 1992, the aggregate amount of the principal and interest outstanding would have converted to a 10 year term loan. The line was increased to \$65,000,000 on April 28, 1992, to facilitate the letting of construction contracts.

As provided in the Line, any outstanding balances that mature during the term of the Line were subsequently renewed at the option of the Authority. The Authority drew down \$37,350,000 of the Line for Project costs.

The Line was retired by the issuance of the 92Notes.

Phase II - 92Notes

On June 23, 1992, the Authority issued \$135,000,000 Taxable Sales Tax Floating Rate Notes, Series 1992 issued in two separate series, \$70,000,000 Series 1992A and \$65,000,000 Series 1992B (the "92Notes"). The Series 1992A Notes bore an interest rate of 35 basis points (.35%) above the three month LIBOR; the Series 1992B Notes bore an interest rate of 30 basis points (.30%) above the three month LIBOR. Interest was paid quarterly, the third Wednesday in the months of February, May, August and November. The interest rate for each succeeding quarter was reset two days prior to each current interest payment date. The 92Notes required interest only payments until maturity on May 21, 1997, but could be redeemed prior to maturity at the option of the Authority on any interest payment date commencing May 17, 1995.

The 92Notes were special, limited obligations of the Authority, secured by a lien on and a pledge of certain revenues of the Authority including the one-half cent sales and use tax levied within the City. The principal of and interest on the 92Notes were secured by irrevocable, direct-pay letters of credit issued by Sumitomo Bank, Limited (for the Series 1992A Notes) for \$73,500,000 and Crédit Local de France (for the series 1992B Notes) for \$68,250,000. These letters of credit required installments of principal to be paid into the Principal Installment Account held with the trustee as follows:

<u>Due Date</u>	<u>Amount</u>
May 17, 1995	\$1,035,000
May 15, 1996	\$1,125,000
May 21, 1997	\$1,215,000

Simultaneously with the issuance of the 92Notes, the Authority entered into an Interest Rate Swap Agreement with Morgan Stanley Capital Services (MSCS). The Authority agreed to swap its floating rate interest liability on \$100,000,000 notional amount of principal for a fixed rate interest liability of 6.74%. Additionally, the Authority agreed to swap its floating rate interest liability on \$35,000,000 notional amount of principal for a fixed rate interest liability of 6.93%, which includes a call provision that may be exercised at the option of the Authority at any interest rate payment date commencing May 17, 1995. Both interest rate swaps mature on May 21, 1997.

On May 17, 1995, the Authority called \$21,000,000 notional amount of the swap with MSCS.

The 92Notes were refinanced by the 95Notes.

Phase III - 95Notes

On May 17, 1995, the Authority issued \$114,000,000 Taxable Sales Tax Floating Rate Notes, Series 1995 (the "95Notes"). The proceeds of the 95Notes, along with funds on deposit in the Debt Service Fund, were used to refund the \$135,000,000 Taxable Sales Tax Floating Rate Notes, Series 1992 issued on June 23, 1992, the purpose

of which was to pay the costs of the Project. The 95Notes bear an interest rate of 30 basis points (.30%) above the three month LIBOR for the period May 17, 1995 to May 20, 1997, and an interest rate of 40 basis points (.40%) above the three month LIBOR for the period May 21, 1997 to maturity, May 15, 2002. Interest is paid quarterly, the third Wednesday in the months of February, May, August and November. The interest rate for each succeeding quarter is reset two days prior to each current interest payment date. The 95Notes may be redeemed prior to maturity at the option of the Authority on any interest payment date.

The 95Notes are special, limited obligations of the Authority, secured by a lien on and a pledge of certain revenues of the Authority including the one-half cent sales and use tax levied within the City. The 95Notes were privately placed with Sumitomo Bank, Limited and Crédit Local de France. Principal payments are due on the third Wednesday in May as follows:

<u>Year</u>	<u>Amount</u>
1996	\$ 4,000,000
1997	4,000,000
1998	5,000,000
1999	6,000,000
2000	7,000,000
2001	8,000,000
2002	80,000,000

On July 17, 1995, the Authority entered into an Interest Rate Swap Agreement with Sumitomo Bank, Limited. The Authority agreed to swap its floating rate interest liability for a fixed rate interest liability of 6.28%. The applicable periods and related notional amounts are as follows:

<u>Period Dates</u>	<u>Notional Amount</u>
May 21, 1997 to May 19, 1998	\$92,000,000
May 20, 1998 to May 18, 1999	77,000,000
May 19, 1999 to May 17, 2000	61,000,000

On July 17, 1995, the Authority also entered into an Interest Rate Swap Option Agreement with Sumitomo Bank, Limited. The option may be exercised by the Authority on any interest payment date beginning May 21, 1997 and ending on February 16, 2000. Should the option be exercised, the Authority agrees to swap its floating rate interest liability for a fixed rate interest liability of 14.6%. The applicable periods and related notional amounts are as follows:

<u>Period Dates</u>	<u>Notional Amount</u>
May 21, 1997 to May 19, 1998	\$14,000,000
May 20, 1998 to May 18, 1999	24,000,000
May 19, 1999 to May 17, 2000	34,000,000

On September 8, 1999, the Authority purchased an Interest Rate Cap (the "Cap") from Bank of America, N.A. The Cap rate is 8.0% and is based on three month LIBOR. The applicable periods and related notional amounts are as follows:

<u>Period Dates</u>	<u>Notional Amount</u>
May 17, 2000 to August 16, 2000	\$44,000,000
August 16, 2000 to November 15, 2000	38,000,000
November 15, 2000 to February 21, 2001	33,000,000
February 21, 2001 to May 16, 2001	27,000,000
May 16, 2001 to August 15, 2001	19,000,000
August 15, 2001 to November 21, 2001	13,000,000

As of September 30, 1999, \$61,000,000 in Notes are outstanding. Since the original issue, the Authority has made principal payments as follows:

<u>Date</u>	<u>Scheduled Payments</u>	<u>Advanced Calls</u>	<u>Outstanding Amount</u>
			\$135,000,000
05/17/95	-	\$21,000,000	114,000,000
05/15/96	\$4,000,000	6,000,000	104,000,000
05/21/97	4,000,000	-	100,000,000
11/19/97	-	8,000,000	92,000,000
05/20/98	5,000,000	-	87,000,000
11/18/98	-	5,000,000	82,000,000
02/17/99	-	5,000,000	77,000,000
05/19/99	6,000,000	5,000,000	66,000,000
08/18/99	-	5,000,000	61,000,000

STREET BOND FUNDS

The city contributed \$2,500,000 in Street Bond Funds toward the improvement of the infrastructure, primarily street widening and intersection alignment, around the Ballpark.

INTEREST EARNINGS

Interest earnings on the 92Notes and Street Bond Funds generated \$3,996,000 that was used towards the development of the Project.

◆ INCREMENTAL FUNDING

SEAT OPTION BONDS

As part of the Incremental Funding, as defined in the Agreement, on February 2, 1993, the Authority authorized the issuance of \$20,124,000 Junior Lien Revenue Bonds, First Series (the "Bonds"). The Bonds are non-interest bearing limited special obligations of the Authority, secured by a subordinated junior lien on the one dollar ticket surcharge, up to \$2,000,000 annually, remaining after any amounts needed to pay interest and principal on the 95Notes and the Loan, as hereinafter defined. The Bonds are due on December 31, 2008, and are callable at any time at the option of the Authority. With each Bond, a purchaser received a Seat and Ticket Option Certificate that provides the holder the right to purchase season tickets for the life of the Bond, however, should the holder not exercise their right for any one year, the holder loses that right for future years. Bonds sold for \$500 to \$5,000 apiece, depending on the location of the respective seat. As of September 30, 1999, \$17,109,350 in Bonds were outstanding. Proceeds from the Bonds were used towards the development of the Project.

BANK LOAN

As an additional part of the Incremental Funding, on June 22, 1993, the Authority authorized the issuance of \$12,000,000 Taxable Junior Lien Revenue Notes, Series 1993 (the "Junior Lien Revenue Notes"). The Junior Lien Revenue Notes are issued pursuant to a credit agreement between the Authority and NationsBank of Texas, N.A. The Junior Lien Revenue Notes are a limited special obligation of the Authority, secured by a junior lien on the one dollar ticket surcharge, up to \$2,000,000 annually, remaining after any amounts needed to pay interest and principal on the Notes. Guaranties by Rangers Ballpark, Inc., GWB Rangers Corporation, EWR Rangers Corporation and B/R Rangers Associates, Ltd., provide additional security should the annual one dollar ticket surcharge amount be insufficient to pay interest and principal. For the year ended September 30, 1999, the one dollar ticket surcharge was sufficient to pay interest and principal. As of September 30, 1999, \$4,273,863 in Junior Lien Revenue Notes were outstanding.

Note: Even though the issuer of these debt instruments is the Authority, they are considered Incremental Funding because the one dollar ticket surcharge, if not used for payment on the Notes, is a Ranger resource. By agreement, the surcharge funds remained in trust for the repayment of the Loan and Bonds.

LUXURY SUITE LEASES

The Authority received, as additional Incremental Funding, the first year lease revenues from the leasing of luxury suites at the Ballpark. Suites are leased for a five year term, with 115% of the annual lease due in the first year. The Authority received \$6,003,565 in suite proceeds that were used towards the development of the Project.

CONCESSIONAIRE CONTRIBUTIONS

The concessionaires at the Ballpark, SportService and Friday's Front Row Grill, contributed \$12,480,779 and \$200,000, respectively, to the Authority. These funds were used towards the cost of the Project.

BRICK PAVER PROGRAM

A Brick Paver program is budgeted at \$1,000,000. This program provides for individuals to purchase, at \$100 apiece, bricks inscribed with the purchaser's name that are then set in panels in the sidewalk outside the Ballpark. Each panel in the Walk of Fame represents a year, from 1972 (the first year the Rangers played in Arlington) to the present, and lists all players, coaches and managers that were on the Rangers that year. Approximately \$200,000 has been received from this program. These funds were used towards the cost of the Project.

INTEREST EARNINGS

Interest earnings on the Incremental Funding of \$1,130,000 were used towards the development of the Project.



Security Lien Matrix

	Sales Tax	Lease Pymts	Surcharge
95Notes	1 st	2 nd	1 st
Seat Bonds	None	none	3 rd
Loan	None	none	2 nd



DISPUTE SETTLEMENT AGREEMENT

On April 27, 1999, the Authority and the City entered into a Dispute Settlement Agreement and Agreement Not To Pursue Claim (the "Dispute Settlement Agreement") with the Rangers. The Dispute Settlement Agreement relates to the amount of costs of acquiring certain tracts of land for the Project, which the Authority and the City alleged should be paid by the Rangers (the "Claim"). The Dispute Settlement Agreement requires the Rangers to make annual installment payments, without interest, to the Authority on or before December 31 of each year as follows:

<u>Year</u>	<u>Amount</u>
1999 to 2003	\$ 500,000
2004 to 2009	\$ 800,000
2010	\$ 900,000
2011 to 2024	\$1,000,000

The payment in 2024 is due on or before March 1. The Rangers also agreed not to exercise the option to purchase the Facility prior to March 2, 2024. In return, the Authority and the City agreed to release and discharge the Rangers from the Claim. The Authority recognizes \$11,250,153, the present value of the Dispute Settlement Agreement, as settlement agreement receivable, with a corresponding deferred revenue balance.



THE BALLPARK IN ARLINGTON

On April 11, 1994, The Ballpark in Arlington hosted its first game. The 49,178 seat open-air ballpark, completed in just 23 months, was designed and built with tradition and intimacy in mind. It contains such features as a granite and brick facade, exposed structural steel, an asymmetrical natural grass playing field, and a home run porch in right field. Texas architecture is featured throughout, from the outer facade to the Lone Stars in the concourses and on the seat aisles. There are five levels of seating in the ballpark; lower deck, lower suites, club level, upper suites, and upper deck. There is also an upper and lower deck in the home run porch in right field and bleacher seating in center field.

The Ballpark in Arlington contains approximately 1,400,000 square feet and sits as the centerpiece of a 270 acre complex. Included in the overall complex are such amenities and features as:

- Legends of the Game Baseball Museum, a 17,000 square foot exhibit of over 1,000 baseball artifacts from the 19th century to the present. Included are over 135 items on loan from the National Baseball Hall of Fame and Museum in Cooperstown, New York. The Museum is located in the ballpark, behind the right field home run porch.
- A 235 seat auditorium and theater, located in the Legends of the Game Baseball Museum.
- Children's Learning Center, a 7,000 square foot area with numerous interactive exhibits for youngsters.
- Dr. Pepper Youth Ballpark, a natural grass facility with seating for 650 in a grandstand designed in similar fashion to The Ballpark in Arlington. Dimensions are for youth leagues and is located just north of the ballpark.
- Two six-acre lakes with adjoining park and recreational areas.
- Natural grass amphitheater located northwest of the ballpark.
- Four story office building the encloses the structure from left center to right center fields. The office building has 35,000 square feet per level and includes retail shops and ticket windows on the first level.
- For the strike shortened inaugural season, attendance at The Ballpark in Arlington was 2,503,198 for 62 home games.